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THE ECONOMY AND FOREIGN TRADE OF CZECHOSLOVAKIA

Czechoslovakia, like the other people's democracies, is enjoying a steady growth of its national economy and a rising standard of living of its workers. The regime of the people's democracy is being strengthened. Even in 1945 - 1947 important reforms were initiated. Legislation was adopted for the confiscation of property belonging to collaborators, land and monetary reforms were introduced, and banks and large-scale industry were nationalized. After the liquidation, in February 1948, of reactionary elements conspiring to restore the capitalist system, new and important socioeconomic reforms were introduced. In May 1948, a new constitution was adopted. Besides this, the following laws were passed: supplementary nationalization of industry, nationalization of foreign and domestic wholesale trade, and restrictions on private ownership of land. The law of 21 December 1948, which established new administrative divisions and organized regional administrations, created a new and genuinely popular machinery of governmental administration.

These reforms have radically changed the character of the country's economy. Whereas previously, monopolistic capital, largely foreign, dominated Czechoslovakia's economy, now the people are the masters of the nation's wealth. The government now controls by far the largest number of the industrial enterprises, all banks and insurance companies, and all foreign and domestic wholesale trade. Government enterprises employ 95 percent of all workers engaged in Czechoslovak industry.

As a result of agrarian reform, all large landowners have been liquidated, and only land holdings not exceeding 50 hectares have been left in private ownership. The agrarian reform also produced a change in the structure of land tenure. The majority of farms have 10 hectares or less. Farms have 2 hectares of land or less constitute 44.3 percent of the total number of farms; those having from 2 to 10 hectares, 40.5 percent. Only 3.8 percent of the farms are larger than 20 hectares.

In November 1948 the President of the Republic, Gottwald, outlined a program for the country's future development. He stressed the necessity of establishing machine-tractor stations, increasing the number of cattle and poultry collective farms, and supporting agricultural cooperatives, especially producing cooperatives, in which small and medium farmers would play a decisive role.

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With the transfer of the commanding heights of the country's economy to the government it was possible to institute a planned national economy. A 2-year economic plan was adopted in October 1946. It provided for an industrial production increase of 10 percent over 1937, the development of industry in Slovakia, and a number of other measures. By October 1947 Czechoslovakia's industrial production had already reached the prewar level.

After World War I approximately 10 years were needed for Czechoslovakia's industrial recovery. After World War II, under the regime of the people's democracy, only 2½ years were needed. After overcoming the sabotage of reactionaries who until February 1948 were entrenched in industry, agriculture, trade, and other branches of the economy, the toilers of the country fulfilled the Two-Year Plan by 100.2 percent. Toward the end of 1948 the level of industrial production exceeded the 1937 level by 10 percent, as was provided for in the plan. The maximum increase was reached in the production of the means of production, the index of which was 133.6 in October 1948, in comparison with 116.1 for October 1947 (1937=100).

Fulfillment of the Two-Year Plan by Key Industries
(in percent)

	1947	1948	Fulfillment of Plan for 2 Years
Total (less food industry)	100.9	102.4	101.5
Including:			
Mining	99.8	100.1	99.8
Electric power	98.9	98.8	98.9
Metallurgy	111.0	106.1	106.3
Metal products	94.4	101.3	100.5
Chemical	89.0	111.7	99.0
Glass	92.0	121.8	105.3
Ceramics	100.4	102.4	101.4
Wood products	110.1	102.4	105.9
Paper	113.0	103.9	108.0
Textiles and sewing	99.4	97.6	97.6
Leather and rubber	106.8	111.0	110.0

In 2 years Czechoslovakia's national income increased 37 percent. It amounted to 213 billion crowns in 1948, as compared to 155.5 billion crowns in 1946. The number of workers employed in industry was 1,400,000 in 1948, thus reaching the prewar level.

Transport operations also exceeded the prewar level. Average monthly railroad freight turnover had already reached the 1937 level by the first half of 1948, while the number of passengers transported during the same period had surpassed the prewar level by 50 percent. Air freight increased more than four times over 1937.

After successfully fulfilling the Two-Year Plan of economic recovery, the country was fully prepared to start the first Five-Year Plan of national economic development.

The Five-Year Plan for the development of the national economy during 1949 - 1953 was adopted on 28 October 1948 by the Czechoslovak National Assembly. The plan called for a total capital investment of 336.2 billion crowns. In 1953 gross production is expected to reach 454 billion crowns, 57 percent more than the 1948 gross production (288 billion crowns). Approximately 30 to 35 percent of all capital investment is intended as replacement of amortization capital, while the remaining 65 to 70 percent

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(219 to 235 billion crowns) is to go for new construction. About 72 percent of all capital investment set aside for industry is to be invested in heavy industry. A production increase of 200 to 300 percent is planned for certain types of heavy machine building.

The structure of Czechoslovak industry is to undergo a change in the course of the Five-Year Plan. The metallurgical, heavy machine-building, and chemical industries, for the development of which conditions are favorable, will undergo the greatest expansion.

The ceramics and glass industries will be partially converted to the production of machinery. The production of such nonessential goods as gloves and toys is to be curtailed. There will also be a curtailment in the output of glassware and some textile goods.

Gross Production of Industry

	Unit	1937	1947	1948	1953 (Plan)
Bituminous coal	Million tons	16.8	16.2	17.7	20.8
Brown coal	" "	18.1	22.4	23.6	32.2
Coke	" "	4.5	4.2	4.6*	8.0
Electric power	Million kw-h	4.1	6.7	7.5	11.2
Pig iron	Million tons	1.7	1.4	1.4*	2.7
Steel	" "	2.3	2.3	2.2*	3.5
Electric motors, 0.5-25 kw	1,000 units	82.0	222.0	276.0	890.0
Machine tools	" "	5.5	9.7	11.8	No data
Tractors	" "	0.2	5.6	9.1	20.0
Automobiles	" "	7.8	8.4	13.2	24.0
Agricultural machinery	Million crowns	300.0	1,154.0	1,526.0	2,300.0
Railroad cars	1,000 units	3.4	15.3	11.0	7.7
Steam locomotives	Units	75.0	234.0	253.0*	480.0
Hardwood and softwood lumber	1,000 cu m	2,596.0	2,719.0	2,948.0	2,800.0
Cellulose	1,000 tons	311.0	235.0	235.0	320.0
Paper	" "	260.0	227.0	260.0	320.0
Cotton, linen, and silk fabrics	" "	64.4	44.5	59.6	104.7
Wool fabrics	" "	17.2	19.6	23.8	30.2
Footwear	Million pr	55.0	50.4	64.4	72.5

*For 10 months of 1948.

Fulfillment of the Five-Year Plan will also alter the structure of agriculture, particularly in respect to animal husbandry. At the end of 1948 crop production constituted 65 percent of the value of gross agricultural output, while animal husbandry constituted 35 percent. In 1953, the value of crop production will be reduced to 52 percent and animal husbandry increased to 48 percent. The number of cattle is to increase from 3,446,000 head in 1948 to 4,400,000 in 1953, i.e., 28 percent. The number of pigs is to increase from 2,671,000 to 4,050,000 head, i.e., 52 percent. The acreage under wheat and rye will be somewhat lower to provide for an increase in fodder and industrial crops (barley, oats, hops, flax, and sugar beets). A larger harvest of agricultural crops is expected as a result of higher yields.

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Sown Area and Total Harvest of Grain Crops

	<u>Area Sown (in 1,000 hectares)</u>		<u>Total Yield (in 1,000 tons)</u>	
	<u>1948</u>	<u>1953 (Plan)</u>	<u>1948</u>	<u>1953 (Plan)</u>
Wheat	834	795	1438	1588
Rye	723	560	1159	1000
Barley	560	685	977	1266
Oats	660	615	1022	1137

Capitalist elements in agriculture are gradually and steadily being eliminated and replaced with agricultural cooperatives of all types. Of the 26.8 billion crowns appropriated for capital investment in agriculture, 15 billion have been assigned for mechanization. Provision has been made in the Five-Year Plan for a sizable increase in the number of state and cooperative machine-tractor stations so that each region will have at least one station. Agricultural cooperatives are expected to play a large role in the mechanization of agriculture.

In the past 3 years the system of local machinery cooperatives, participated in principally by small farmers, has developed to such an extent that it includes almost half of the country's villages. In 1948 Bohemia and Moravia had 5,300 machinery cooperatives, and this number will be increased to 7,500 during the Five-Year Plan.

Foreign trade is to play an important part in satisfying the needs of the growing national economy. Czechoslovak foreign trade was nationalized on 28 April 1948. The law provides that all imports and exports, as well as international transfers, be conducted only by a specially established organization.

A reorganization of foreign trade was effected between July and December 1948. Import and export functions have been separated from the production activities of industrial enterprises and relegated to the 21 newly organized joint-stock companies for foreign trade. Within limits established by statutes, these companies exercise control over the import and export of goods.

The largest of these companies are: "Kovo," which controls the import and export of metallic raw materials and products of metallurgical and machine-building industries; "Ferromet," which trades in ferrous metals in the form of ingots, rolled products, castings, forgings, hardware, and several other ferrous and nonferrous metal products; "Koopol," which imports and exports food and fodder grains, meat, fats, vegetables, fruits, and several other food products, as well as fertilizer; and "Tsentroteks," which imports cotton, wool, and other textile raw materials and yarn and exports cloth, knitted fabrics, and products of the sewing industry.

Foreign trade is especially important for Czechoslovakia in that it supplies the national economy with raw materials in short supply and with certain heavy and special equipment which either is not produced at all locally or is produced in quantities not sufficient to meet the requirements of the new capital construction.

Czechoslovakia imports more than half of its iron ore and petroleum products and sizable amounts of nonferrous metals, whose ores are virtually nonexistent in the country. The textile, leather, and rubber industries rely heavily on imports of raw cotton, raw wool, raw leather, and rubber. The margarine and soap factories rely on imports of vegetable and animal fats. Food and fodder grains are also imported. Raw materials and semifinished products comprise 57 percent of all Czechoslovak imports. The bulk of Czechoslovakia's exports is composed of products of the metallurgical, metal-processing, footwear, textile, and glass industries.

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Czechoslovak foreign trade is steadily increasing. In 1947, Czechoslovakia imported goods valued at 28.6 billion crowns, while in 1948 she imported goods to the value of 37.7 billion crowns, an increase of 32 percent. Exports rose from 28.6 billion crowns in 1947 to 37.6 billion in 1948, an increase of 31 percent. Altogether, foreign trade was almost 39 percent greater in 1948 than in 1947, reaching a total of 75.3 billion crowns in 1948.

The passive trade balance was almost eliminated by the end of 1948 when it was only 68 million crowns, as compared to almost 4.4 billion at the end of the first half of 1948.

Czechoslovakia's Five-Year Plan provides for an increase in trade of 40 percent over 1948. In 1953 the value of trade will be over 100 billion crowns.

Import of Most Important Commodities for 10 Months of 1948

	Quantity (in 1,000 tons)	Value (in 1,000,000 crowns)
Total	-	31,879
Including:		
Cotton	53.0	2,452
Wool	16.3	1,311
Iron ore	1,787.0	1,239
Coal, coke, and briquette	1,822.0	907
Copper	39.5	947
Raw hides	23.2	1,123
Mineral oils	314.1	748
Machinery, including electric machinery	7.0	1,060
Chemicals	90.1	1,338
Wheat	222.8	1,456
Rye	161.5	1,053
Corn	277.6	1,696
Vegetable oils	21.0	723
Tobacco	8.7	775

Export of Most Important Commodities for 10 Months of 1948

	Quantity (in 1,000 tons)	Value (in 1,000,000 crowns)
Total	-	29,523
Including:		
Metal products	244.1	3,307
Leather footwear	6.2	2,001
Cotton fabric	8.7	1,909
Coal, coke, and briquette	2,276.0	1,851
Steel and pig iron	176.8	1,542
Rubber products	10.3	997
Automobiles	11.2	977
Electric machinery and equipment	13.8	915
Timber	249.1	852
Wool fabrics	2.4	765

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	Quantity (in 1,000 tons)	Value (in 1,000,000 crowns)
Chemicals	42.0	740
Internal combustion engines	11.8	521
Paper and cardboard	33.1	520
Porcelain and pottery	10.0	430
Window glass	66.9	439
Cellulose	35.9	383
Agricultural machinery	9.3	356

The most important commodities imported during the first 10 months of 1948 were: cotton (7.7 percent of the value of total imports), corn (5.3 percent), wheat (4.6 percent), wool (4.1 percent), iron ore (3.9 percent), hides (3.5 percent), and rye (3.3 percent).

The value of raw materials and unfinished products imported in 1948 was 18.4 billion crowns, or 49 percent of total imports; food, 11 billion crowns or 29 percent; finished products, 7.9 billion crowns or 21 percent; and cattle, 0.5 billion crowns or one percent.

The import of large quantities of food was necessitated by the poor harvest of 1946 - 1947 and by the depletion of the country's food reserves.

The most important items exported during the same period were metal products (11.2 percent of the total value of exports), leather shoes (6.8 percent), cotton fabrics (6.5 percent), coal, coke, and briquette (6.3 percent), steel and pig iron (5.2 percent), rubber products (3.4 percent), and automobiles (3.3 percent).

Exports of finished goods in 1948 were valued at 30.8 billion crowns, or 82 percent of total exports; raw materials and semifinished goods, at 5.2 billion crowns or 14 percent; and food, at 1.7 billion crowns or 4 percent.

In the postwar years major shifts took place in the pattern of Czechoslovak foreign trade. This was caused principally by the victory of the people's democracy within the country and by the greater economic collaboration and mutual aid among countries of the democratic camp.

Trade between Czechoslovakia, the USSR, and the people's democracies increased greatly. Before World War II, Germany occupied the first place in Czechoslovak foreign trade, accounting for 23 percent of Czechoslovak imports and 19 percent of her exports. Following Germany were Britain, Austria, and France. Trade with the Soviet Union amounted to only one percent. After World War II the USSR and the people's democracies became increasingly more important to Czechoslovak foreign trade. According to Czechoslovak statistics, trade with these countries amounted to 19.3 percent of her total trade in 1947 and 37.8 percent for the first 10 months of 1948.

Czechoslovak foreign trade policy is marked by the desire to develop trade relations with all countries willing to collaborate on the basis of mutually advantageous conditions which do not impair the sovereignty of any country. In 1948 Czechoslovakia had trade relations with more than 80 countries. With 27 of these countries trade proceeded on the basis of commodity and payment agreements. Among the latter countries were the Soviet Union, Poland, Hungary, Bulgaria, Rumania, Austria, the Netherlands, France, Pakistan, Finland, Switzerland, Argentina, Belgium, Sweden, Brazil, and Italy.

Trade with the United States, as well as with several Western European countries, is shrinking at present because these countries are boycotting trade with Czechoslovakia. The political character of the trade restrictions imposed by the US is exemplified by the prohibition on exports to Czechoslovakia of equipment for drying milk

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and for pharmaceutical production. The US also refused to deliver a smelter for the government mint in Kremnitz and other commodities which, within the framework of the European "aid" program, are not considered commodities in short supply.

In its pursuit of an active foreign trade policy, Czechoslovakia is first developing trade relations with the USSR and the people's democracies, all of which have planned economies. Trade agreements concluded with the USSR and the people's democracies will enable Czechoslovakia to supply her industry with the most important raw materials (copper, zinc, lead, iron ore, and oil seeds), and her population with food (bread, fats, and meat).

Economic collaboration between Czechoslovakia and the Soviet Union is growing and becoming stronger; this collaboration is based on the principles of real equality, mutual advantage, and respect for national sovereignty.

Soviet deliveries of iron ore, pig iron, cotton, petroleum products, and other raw materials hastened the postwar restriction of Czechoslovak industry. Large deliveries from the Soviet Union of grain and other food items prevented a famine which was threatening the Czechoslovak people as a result of the poor harvest of 1946 - 1947.

By the provisions of the long-term trade and payments agreement of 11 December 1947, concluded between the Soviet Union and Czechoslovakia, the volume of trade for the years 1948 to 1952 is set at about 5 billion crowns a year for each country. Of particular significance to Czechoslovakia is the fact that the agreement guarantees her industry a supply of raw materials and also a market for her goods during a 5-year period. By the terms of this agreement the Soviet government also extended short-term credit to the Czechoslovak government.

In the course of talks held in December 1948 between the two countries, particular attention was paid to questions of economic collaboration. The Soviet Union will contribute to the development of Czechoslovak national economy by supplying valuable raw materials and important industrial equipment, particularly machinery for heavy machine building, construction, forestry, and mining. Technological collaboration will be increased. The Soviet Union will also grant Czechoslovakia a loan in gold and free currency. Czechoslovakia, on its part, is to supply the Soviet Union with petroleum and railroad equipment and textile goods. Trade between the two countries in 1949 is expected to be 45 percent above that of 1948.

The December talks between the two governments resulted in the strengthening of Soviet-Czechoslovak cooperation.

The establishment of the Council of Economic Mutual Assistance, which is based on the principle of equality of its members and which aims at the exchange of economic information and at mutual assistance in raw materials, food, and machinery and other equipment, will result in an even greater improvement in the economic relations of Czechoslovakia with the USSR and the people's democracies and will serve the interests of all democratic and peace-loving nations.

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